

Message Text

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ORIGIN SS-25

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DRAFTED BY EUR/EE:NGANDREWS:JF
APPROVED BY EUR - WHLUERS
EUR/PP:LFUERTH
NSC:RKING
S/P:PKAPLAN
HA:CBRODY
ICA:YRICHMOND (SUB)
S/S-O:TMARTIN

-----071619 130243Z /15

R 120119Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
INFO AMEMBASSY BERLIN
AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 204538

EXDIS

E.O. 11653: GDS

TAGS: CPRS, CVIS, EFIN, SCUL, SHUM, YO, GE, RO, HU, UR, CZ,

SUBJECT: REVIEW OF POLICY TOWARD EASTERN EUROPE

REF: STATE 120408

1. AS A FOLLOW-UP TO THE INTERAGENCY GROUP MEETING ON EAST-
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ERN EUROPE WHICH TOOK PLACE ON APRIL 20 (REFTEL), ASSISTANT
SECRETARY LUERS (EUR) CHAIRED A MEETING ON JULY 13 OF THE
INTERAGENCY GROUP FOR A FURTHER REVIEW OF US POLICY TOWARD
EASTERN EUROPE. FOLLOWING IS SUMMARY OF THE DISCUSSION.

2. LUERS OPENED BY REVIEWING PRESIDENTIAL DECISION 21. HE
OBSERVED THAT IT APPEARS WE HAVE REALIZED MUCH OF THE POTEN-

TIAL OF PD-21 AS REGARDS DEVELOPMENTS IN OUR RELATIONS WITH ROMANIA, POLAND AND, ESPECIALLY, HUNGARY. THE QUESTION WAS WHERE WE MIGHT GO FROM HERE. LUERS SUGGESTED WE DISCUSS THREE COUNTRY-SPECIFIC ISSUES (POLAND, BULGARIA AND CZECHOSLOVAKIA) AND THEN SOME GENERIC ISSUES, (CULTURAL EXCHANGE PROSPECTS, AND HUMAN RIGHTS ISSUES).

3. POLAND - LUERS POSED THE QUESTION OF HOW TO SET US POLICY FOR DEALING WITH POLISH DEBTS AND POLISH REQUESTS FOR CCC AND EXIM CREDITS. HOW FAR SHOULD WE STRIVE TO HELP POLAND? SEYMOUR(EUR/EE) SAID WE NEED MORE INFORMATION ON

WHICH TO BASE OUR POLICY. WE NEED TO ANALYZE HOW THE SITUATION MIGHT DEVELOP IN ORDER TO BE ABLE TO DECIDE HOW WE MIGHT HELP. HE THOUGHT THAT AN INTERAGENCY WORKING GROUP SHOULD BE ORGANIZED TO COME UP WITH SOME ANSWERS BY THE EARLY FALL. KING (NSC) SAID WE SHOULD TRY TO ANSWER THE FOLLOWING QUESTIONS: HOW MUCH CREDIT WILL THE POLES ASK FOR? HOW MUCH DO WE WANT TO HELP POLAND? WHAT IS THE US INTEREST IN HELPING POLAND. HOW MUCH EFFECT WILL OUR HELP HAVE ON THE SITUATION? HOW MUCH DIFFERENCE DOES US HELP MAKE TO POLAND? KAPLAN (S/P) SAID THAT THE CONCLUSIONS LAST FALL WERE: (1) THE US HAS A NATIONAL SECURITY INTEREST IN THE STABILITY OF POLAND; (2) THE PRESIDENT IN RESPONSE TO OUR PAPERS SAID (A) WE SHOULD SUPPORT POLISH ENTRY INTO THE IMF AND (B) WE SHOULD CONSIDER AND WORK CONFIDENTIAL

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TOWARD A MULTILATERAL RESCHEDULING OF THE POLISH DEBT, IF POLAND WANTS IT. KAPLAN SUGGESTED THAT WE COULD DO A SCENARIO FOR POLISH ENTRY INTO THE IMF AND LOOK IN DETAIL AT THE PROBLEMS INVOLVED IN MULTILATERAL RESCHEDULING. ALBRIGHT (EXIM BANK) ENDORSED THE CONCEPT OF PREPARING OURSELVES ADEQUATELY BUT WARNED AGAINST REACHING CONCLUSIONS ABOUT WHAT THE POLES WOULD DO BEFORE THEY HAD DONE IT. HE STRESSED WE SHOULD FOCUS ON POLISH REQUESTS RATHER THAN ON ULTIMATE CONTINGENCIES. LUERS NOTED THAT SO LONG AS THERE WAS NO MAJOR CRISIS, POLAND SEEMED ABLE TO FIND SUFFICIENT FUNDS TO PAY ITS OBLIGATIONS BUT THERE WAS NO WAY OF KNOWING HOW LONG IT COULD DO SO. HE DESIGNATED KING (NSC), KAPLAN (S/P), FUERTH (EUR) AND SEYMOUR (EUR/EE) TO PREPARE THE TERMS OF REFERENCE FOR THE PROPOSED WORKING GROUP ON THE POLISH ECONOMY. GEORGE (COMMERCE) ASKED THAT THE WORKING GROUP PRODUCE RESULTS SOONER RATHER THAN LATER SINCE IT WOULD BE HANDY TO KNOW THE OUTCOME BEFORE THE JOINT-ECONOMIC COMMISSION MEETING NOVEMBER 8. KING OBSERVED IT WOULD BE GOOD TO COMPLETE THE STUDY IN TIME FOR OUR DECISION ON POLISH CCC REQUESTS FOR FY1979.

4. BULGARIA - LUERS NOTED THAT THERE WAS NO PROVISION IN

PD-21 FOR GOING AS FAR AS A TRADE AGREEMENT INCLUDING MFN FOR BULGARIA BUT THAT THE BULGARIANS HAD RECENTLY GIVEN US SOME SIGNALS THAT THEY MAY BE INTERESTED IN EXPLORING THE POSSIBILITY OF OBTAINING MFN UNDER THE JACKSON-VANIK

AMENDMENT. THEY HAD, FOR EXAMPLE, ASKED A WASHINGTON LAW FIRM TO CONSIDER THE PROBLEM AND PREPARE A STUDY OF WHETHER IT WOULD BE POSSIBLE TO OBTAIN MFN. HE THOUGHT WE SHOULD DECIDE WHETHER IT WAS IN OUR INTEREST TO EXTEND MFN

TO BULGARIA AND WHAT WE COULD EXPECT TO ACHIEVE THEREBY. CLARKE (EB) ASKED WHETHER A PRIOR CHANGE IN PD-21 WOULD NOT BE REQUIRED IF BULGARIA WERE EVER TO BE GRANTED MFN. LUERS SUGGESTED THAT WE COULD MAKE A PRELIMINARY ASSESSMENT OF CONFIDENTIAL

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THE FACTORS INVOLVED IN CONSIDERING GRANTING MFN TO BULGARIA. KING OBSERVED THAT BULGARIA HAD TAKEN A STEP BEYOND THE SOVIETS BY INDICATING INTEREST IN MFN AND WE NEEDED TO RESPOND TO THEM. HE EXPRESSED THE VIEW THAT WE SHOULD RAISE THE ISSUE, CALL ATTENTION TO THE PROBLEMS AND GET A POLICY DECISION. LUERS REQUESTED THAT A SMALL GROUP DRAFT A PAPER ADDRESSING THE RAMIFICATIONS OF ANY BULGARIAN INITIATIVE SO THAT WE WOULD BE PREPARED TO RESPOND TO THEIR QUESTIONS. AT THE APPROPRIATE POINT FOLLOWING SUCH A BULGARIAN APPROACH WE WOULD HAVE TO OBTAIN A POLICY DECISION FROM THE NSC. LOTARSKY (COMMERCE) STRESSED THAT WE SHOULD KNOW CLEARLY ENOUGH WHAT OUR POSITION WAS SO AS TO KNOW WHETHER TO THROW COLD WATER ON ANY FORMAL BULGARIAN QUESTION ABOUT MFN OR TO LEAVE THE DOOR OPEN. KAPLAN (S/P) SAID WE SHOULD EXAMINE THE SOVIET FACTOR CAREFULLY. HE NOTED THAT PD-21 HAS EXPLICITLY ANSWERED THE POLICY QUESTION (I.E., NOT TO PROCEED WITH MFN FOR BULGARIA). GERTH (EUR/EE) OBSERVED THAT WE HAD SPENT TWO YEARS DISCUSSING THE HUNGARIAN EMIGRATION LAW AND ITS APPLICATION BEFORE ENTERING INTO DISCUSSIONS ON MFN. HE SUGGESTED THAT THIS DISCUSSION HAD BEEN VERY HELPFUL IN AND OF ITSELF AND COULD BE EQUALLY USEFUL IN THE BULGARIAN CONTEXT BEFORE A DECISION WAS REACHED ON MFN. LUERS SAID THAT WE EXPECTED THE LAW FIRM TO COMPLETE ITS MEMORANDUM FOR THE BULGARIANS BEFORE THE US-BULGARIAN ECONOMIC COUNCIL MEETING SEPTEMBER 1. IT WAS AGREED THAT GLENN WOULD HEAD A SMALL GROUP (GLENN, KAPLAN, FUERTH) TO REVIEW THE VARIOUS PROBLEMS IN THIS AREA.

5. CZECHOSLOVAKIA - LUERS EXPRESSED THE VIEW THAT HOPEFULLY AFTER THE AUGUST 21 ANNIVERSARY OF THE 1968 INVASION OF CZECHOSLOVAKIA WE MIGHT DECIDE TO GO AHEAD WITH THE SIGNING OF THE CULTURAL AND EXCHANGES AGREEMENT. HE ALSO CONFIDENTIAL

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WONDERED WHETHER WE COULD NOT PREPARE OURSELVES TO PUT FORTH A NEW PROPOSAL ON THE SETTLEMENT OF THE CLAIMS/GOLD ISSUE. AFTER DISCUSSING THE DESIRABILITY OF RESOLVING THESE TWO QUESTIONS, IT BECAME CLEAR, ESPECIALLY FROM KING'S STATEMENTS ABOUT THE NSC VIEW, THAT IT WOULD NOT BE TIMELY TO MAKE ANY PROPOSALS ON CLAIMS/GOLD OR TO SIGN THE CULTURAL/EXCHANGES AGREEMENT IN THE NEAR FUTURE. KING SAID HE THOUGHT NOTHING SHOULD BE DONE UNTIL 1979 BUT AGREED THAT THE MATTER COULD BE REVIEWED IN MID-FALL.

6. CULTURAL EXCHANGES - LUERS POINTED OUT THAT AT THE JUNE 16-17 CHIEFS OF MISSION CONFERENCE IN LONDON, MANY

AMBASSADORS--ESPECIALLY FROM EASTERN EUROPEAN POSTS--EXPRESSED INTEREST IN THE PROSPECTS OF FUNDING CULTURAL EXCHANGES IN THEIR COUNTRIES IN COMING YEARS. SCANLAN (ICA) SAID THAT THE PAO CONFERENCE IN BRUSSELS AGREED TO ASK ALL POSTS HOW MUCH MONEY THEY COULD USEFULLY USE. THEY HAVE COME THROUGH THE ZBB EXERCISE AND BELIEVE THEY WILL COME OUT AT 100 , I.E., NO INCREASE AND NO DECREASE. RICHMOND (ICA) SAID THAT WESTERN AND EASTERN EUROPE ARE NOW ORGANIZATIONALLY IN THE SAME POT FOR FUNDING PURPOSES. HE NOTED THAT DURING THE CURRENT YEAR THE LARGEST SUM, \$1.6 MILLION, WAS ALLOTTED TO THE SOVIET UNION. AFTER THAT, THE NEXT FIVE COUNTRIES IN TERMS OF BUDGET WERE YUGOSLAVIA, POLAND, FRG, ROMANIA AND ITALY. HE SAID THAT IF THE FUNDS CAN BE OBTAINED, SMALL INCREASES FOR ALL EASTERN EUROPEAN COUNTRIES WOULD BE PROJECTED. LUERS ASKED IF WITH THE ESTABLISHMENT OF ICA AND THE MOVE OF CU INTO ICA THERE HAD NOT BEEN SOME LOSS OF CONTACT. RICHMOND AGREED THAT THERE HAD BEEN SOME REDUCTION IN POLICY CONTACT BUT DID NOT BELIEVE THIS WAS SERIOUS. LUERS SUGGESTED THAT ICA AND STATE KEEP IN CLOSER CONTACT.

7. HUMAN RIGHTS - LUERS SAID THAT WE SHOULD DECIDE WHAT TO DO ABOUT HUMAN RIGHTS REPORTING. HE NOTED THAT WE
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NEEDED TO BE CLEAR IN OUR GUIDELINES AND INSTRUCTIONS TO THE POSTS ON HUMAN RIGHTS AND CSCE REPORTING. STARR (WHITE HOUSE) AND BRODY(HA) DISCUSSED THE ADMINISTRATION'S POLICY THAT THE MAJOR BURDEN OF BILATERAL HUMAN RIGHTS DIPLOMACY HAD TO BE CARRIED BY RESPECTIVE EMBASSIES IN THE USSR AND EASTERN EUROPE. FUERTH (EUR) NOTED THAT THERE WAS A NSC REQUIREMENT FOR A PRELIMINARY REPORT ON

HOW TO APPROACH THE MADRID CSCE CONFERENCE IN 1980 WHICH WAS DUE AUGUST 8 AND THIS WOULD BE THE VEHICLE FOR CLARIFYING FURTHER STEPS ON CSCE. THERE WAS A WIDE-RANGING DISCUSSION OF THE EFFECTIVENESS OF FOLLOW-UP ACTION BY THE POSTS, DEMARCHES MADE OFFICIALLY IN THE U.S. AS WELL AS THOSE MADE THROUGH PRIVATE CHANNELS, EXERTING MORE SYSTEMATIC EFFORTS, TAILORING THE APPROACH TO THE INDIVIDUAL COUNTRY, DIFFERENTIATING IN OUR EFFORTS AMONG DIVIDED FAMILIES, EMIGRATION, AND HUMAN RIGHTS, AND INTEGRATING THE HUMAN RIGHTS QUESTION WITH OUR OTHER INTERESTS. IT WAS AGREED THAT THE PAPERS DUE FOR NSC IN EARLY AUGUST WOULD PROVIDE A STARTING-POINT FOR FURTHER ACTION IN THE HUMAN RIGHTS AREA VIS-A-VIS EE COUNTRIES LATER IN THE SUMMER AND FALL. CHRISTOPHER

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